

# **CEC Workshop on Natural Gas Market Analysis**

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# SCE believes certain key issues should be considered in the gas forecast

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- ◆ The ability to forecast the California gas market requires a competitive and open market structure that treats all parties equally
- ◆ Electric generation gas demand is a key driver of gas and power price volatility and should be included in any modeling process
- ◆ Gas is increasingly a national market and is becoming an international market; therefore, any modeling approach should consider this impact on California gas markets
- ◆ Short and mid and long-term effects should be considered



# Appropriate market and regulatory structures are required for the California gas market

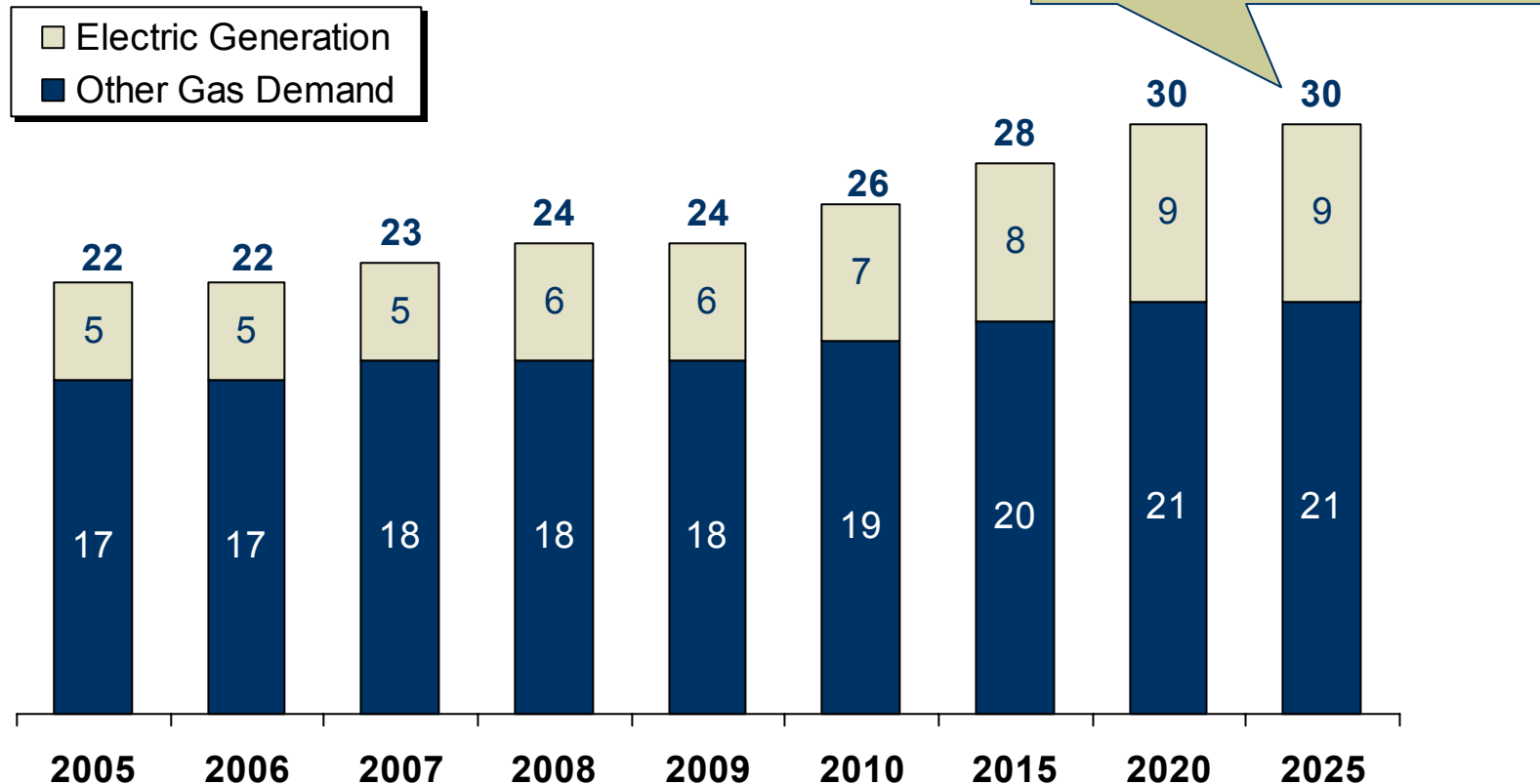
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- ◆ Equal access to transportation services by all customer classes is necessary to foster a truly competitive market
- ◆ Equal access for all customer classes to information on pipeline transfer capacity such as provided to all customers on electric transmission transfer capacity is necessary to provide a level playing field
- ◆ SCE is not advocating access to confidential information that reveals the market position of any party
- ◆ Proper separation LDC transportation and commodity procurement functions is a continuing concern for SCE
- ◆ Incentives for LDC procurement functions must be structured so as to not disadvantage non-core customers



# Electric generation is the key driver of the projected increase in demand for natural gas

## Projected US Gas Demand in Trillion Cubic Feet



Source : <http://www.eia.doe.gov/oiaf/petgas.html>

# Fundamentals are the key drivers behind electric generation gas demand

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- ◆ Weather
- ◆ Production from non-gas fired generation resources
  - Nuclear
  - Coal
  - Hydro, especially in the western US
  - Renewables
- ◆ Hydro production can vary greatly year-to-year
- ◆ Instantaneous nature of electric market requires detailed daily analysis and specific transfer point analysis



# Gas is a national market and growing into an international market

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- ◆ The growing interstate pipeline system is allowing supplies from all major basins to serve demand throughout the United States
- ◆ Gas demand and supply changes in one region can impact nationwide prices and supplies
- ◆ LNG supplies imported into the United States will help the supply situation in California even if not delivered directly into the California market
- ◆ Reliance on LNG will require the consideration of international impacts on California gas prices and supplies



# Both short and long-term effects should be considered in the forecast

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- ◆ Short-term (less than seasonal)
  - Weather (temperatures)
  - Power plant performance
  - Infrastructure outages
- ◆ Mid-Term (yearly)
  - Snow pack
  - Refueling of nuclear power stations
- ◆ Long-Term
  - Supply changes
    - Access to new basins
    - LNG
  - Changes in gas Infrastructure
    - Pipelines
    - Storage
  - Changes in power generation options
    - Non-gas versus vs. gas
    - Non-Gas generation retirements

